



DEFENSE FINANCE AND ACCOUNTING SERVICE

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MAR 18 1997

DFAS-HQ/FMM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER

SUBJECT: Change to the DoDFMR, Vol 7A, regarding recent tax law changes effecting employer-provided death benefit exclusions. (DFAS Item G-7)

This is DFAS Interim Change Number 12-97 to the DoDFMR, Vol 7A. This change is effective October 1, 1996.

We have evaluated your comments on the draft change to the DoDFMR, Vol 7A. The attached final version of the change includes your comments where appropriate. Assignment of an interim change number is your authority to start a procedural modification if necessary, to facilitate this change. For the Denver Center, use the attached to initiate the formal printed change to the DoDFMR and the interim change.

Our point of contact, Lt Col Wies, may be contacted at DSN 327-5068 or commercial (703) 607-5068.

Roger W. Spearce
Brigadier General, USA
Deputy Director for Finance

Attachment
As stated

cc: DASD (MMP) (COMP)
ODGC (F)
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS-PM

DFAS ITEM NUMBER G-7
DFAS INTERIM CHANGE NUMBER 12-97

- 1. Delete paragraph 360110 and all Bibliography references.**
- 2. Delete Note 12 of Table 44-1.**
- 3. Rule 14, Table 44-1: Change the amount in Rule 14 column C to read \$3,000. Delete reference to note 12.**
- 4. Revise Note 11 of Table 44-1 to read: The amount of death gratuity payments made to survivors of military members who died after 20 August 1996 that is excludable from income, may not exceed \$3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, the \$3,000 exclusion should be applied proportionately. Report all death gratuity payments separately, using TD Form 1099R. Report the gross amount of each payment in Box 1 and 2a. Enter Code 4 in Box 7. For members who died on or before 20 August 1996, the maximum exclusion amount is \$5,000.**
- 5. Add new subparagraph 360106C to read as follows:**

"C. Taxability. See Table 44-1, rule 14, and note 11."
- 6. Bibliography:**

<u>Paragraphs</u>	<u>Citation</u>
Table 44-1, Rule 14	P.L. 104-188, Section 1402 20 Aug 1996 10 U.S.C. 1475-1480 26 U.S.C. 134
Table 44-1, Note 11	P.L. 104-188, Section 1402 20 Aug 1996 10 U.S.C. 1475-1480 26 U.S.C. 134
Table 44-1, Note 11 (Delete)	Treas Reg Sec 1.101-2 IRS Instr, Form 1099